

**SCHEDULE OF DRAFT BUDGET AND SUPPORTING  
DOCUMENTATION OF  
DR NKOSAZANA DLAMINI ZUMA MUNICIPALITY**

**2017/18 TO 2019/20  
MEDIUM TERM REVENUE AND EXPENDITURE FORECASTS**

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## **PART ONE – ANNUAL BUDGET**

### **1. MAYORS REPORT**

#### **Introduction**

Speaker

Deputy Mayor

Members of Executive

Chief Whip

Honourable Councillors

ONdabezitha

Municipal Management and municipal officials, Greetings.

It is my pleasure, in my capacity as Mayor of Dr Nkosazana Dlamini Zuma Municipality, to present Draft medium term revenue and expenditure framework (MTREF) for 2017/2018 financial year and ensuing two years. The municipality is preparing its first annual budget as Dr Nkosazana Dlamini-Zuma Municipality after the merger of the two municipalities, Kwa Sani and Ingwe Municipalities. In terms of section 21(2) (a)-(c) of the MFMA – ‘when preparing the annual budget, the mayor of a municipality must:

(a) Take into account the municipality’s integrated development plan (IDP);

(b) take all reasonable steps to ensure that the municipality revises the IDP in terms of section 34 of the Municipal Systems Act, taking into account realistic revenue and expenditure projections for future years;

(c) take into account the national budget, the relevant provincial budget, the national government’s fiscal and macro-economic policy, the annual Division of Revenue Act (DoRA) and any agreements reached in the Budget Forum’.

Thus taking into account the provision of the MFMA as stated above, I present to you all the Draft MTREF for 2017/2018 to 2019/2020. The intention is to bring forth the highlights contained in the budget. It is our intention as the Dr Nkosazana Dlamini Zuma Local Municipality that the Draft budget in each financial year be tabled to council before the end of March of each year

and should be a product of rigorous review and extensive consultation such that the limited resources available are allocated towards satisfying the community's priorities and that the budget preparation process itself complies with relevant legislation.

Thus taking into account the legislation that regulates the entire budget preparation and approval processes, Council must, by the end of these proceedings approve and adopt resolutions, in terms of section 24 of the MFMA, on the annual budget of the municipality for the financial year 2017/18 and the multi-year and single-year capital appropriations and also the financial position, cash flow budget, cash-backed reserve/accumulated surplus, asset management and basic service delivery targets as detailed in the municipality's MTREF document. The Council of Dr Nkosazana Dlamini Zuma Municipality, acting in terms of section 75A of the Local Government Municipal Systems Act (Act 32 of 2000), must also approve and adopt with effect from 1 July 2017, the tariffs for property rates, the tariffs for solid waste services and the tariffs for other services.

### **1.1 Background**

The application of sound financial management principles for the compilation of Dr Nkosazana Dlamini Zuma Municipality's budget is essential and critical to ensure that the municipality remains financially viable and that municipal services are provided sustainably, economically and equitably to all communities.

The Municipality business and service delivery priorities were reviewed as part of this year's planning and budget process. Where appropriate, funds were transferred from low- to high-priority programmes so as to maintain sound financial stewardship. A critical review was also undertaken of expenditures on noncore and 'nice to have' items.

Dr Nkosazana Dlamini-Zuma Municipality is in a process of implementing a range of revenue collection strategies to optimize the collection of debt owed by consumers. Furthermore, the Municipality will undertake various customer care initiatives to ensure that the municipality truly involves all citizens in the process of ensuring a people lead government. The municipality has a Revenue Enhancement Strategy that needs to be approved by the council.

The main challenges experienced during the compilation of the 2017/18 MTREF can be summarised as follows:

- The on-going difficulties in the national and local economy;

- The unemployment in the community that we are serving, having a negative impact on the collection over revenue, and increasing number of indigents.
- Aging and poorly maintained infrastructure;
- The need to reprioritise projects and expenditure within the existing resource envelope given the cash flow realities and declining cash position of the municipality;
- Decreased funding of capital projects resulting in cutting of some of the projects that were supposed to be done in this financial year, thus delaying the service delivery; and
- Availability of affordable funding

## **1.2 Local Economic Transformation**

The Minister of Finance in his 2017/18 Budget Speech talked about how South African should come up with ways of new perspective transformation of growth, In light of the above statement, the Dr Nkosazana Dlamini-Zuma Municipality should also come up with principles that should guide the municipalities agenda for transformation, the municipality should focus more on programmes that will create jobs, eliminate poverty and narrow the inequality gap.

## **1.4 Budget legislations and processes**

This Budget has been prepared in terms of section 21 of the MFMA No. 56 of 2003. The municipality has taken the following macro-economic forecasts into consideration when preparing the 2017/2018 budget and MTREF as stipulated MFMA circular No. 86.

<b>Fiscal year</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>
Consumer Price Inflation (CPI)	6.4%	6.4%	5.7%	5.6%
Real GBD Growth	0.5%	1.3%	2.0%	2.2%

**1.5. Government allocations**

Allocations published in the 2017 Division of Revenue Act and provincial gazette indicates the following:

<b>Sources</b>	<b>2016/2017 Adjustment Allocations</b>	<b>2017/2018 Allocations</b>
Equitable Share	R 94 288 126 .00	R 101 241 000.00
Electrification	R 12 000 000.00	R 14 000 000.00
MIG	R 29 513 000.00	R 27 566 000.00
FMG	R 3 650 000.00	R 3 800 000.00
Municipal Demarcation Grant	R 9 714 000.00	R 4 566 000.00
EPWP	R 2 191 000.00	R 1 877 000.00
Provincialisation of Libraries	R 1 431 000.00	R 1 503 000.00
Community Library Service Grant	R 863 000.00	R 906 000.00
Promulgation of Municipal by-law	R 200 000.00	
IDP Shared Planner	R 400 000.00	
Consolidation and migration of records system	R 200 000.00	
Work study exercise	R 700 000.00	
<b>TOTAL</b>	<b>R155 150 126.00</b>	<b>R 155 459 000.00</b>

**1.5. Consolidated Overview of the 2017/18 MTERF**

The Draft budget presentation reflects the following consolidated (summary) estimates:

	<b>Adjustment Budget 2016- 2017</b>	<b>Year Budget 2017-2018</b>	<b>Budget Estimate 2017- 2018</b>	<b>Budget Estimate 2019- 2020</b>
Total Revenue	R 231 094 654	R 211 156 626	R 214 555 311	R 234 619 105
Total Operating Expenditure	-R 137 857 968	-R 148 334 379	-R 156 109 616	-R 165 053 786
Capital Expenditure	-R 93 236 686	-R 62 812 300	-R 38 965 000	-R 50 441 000
Surplus/(Deficit) for the year	R 3 709.62	R 9 947	R 19 480 695	R 19 124 318

I would like to bring forth some of the highlights contained within the budget:

**1.6. Overview:**

Total revenue has decreased by 9% per cent for the 2017/18 financial year when compared to the 2016/17 Adjusted Budget. For the two outer years, total revenue will increase by 2% respectively. Total operational expenditure has increased by 7% in 2017/18 budget and by 5% and 5% for each of the respective outer years of the MTREF. Total capital expenditure has decrease by 32 % in 2017/18 when compared to the 2016/17 Adjustment budget.

**1.7. Operating Revenue framework**

For Dr Nkosazana Dlamini Zuma Municipality to continue improving the quality of services provided to its citizens it needs to generate the required revenue. In these tough economic times strong revenue management is fundamental to the financial sustainability of every municipality. The reality is that we are faced with development backlogs and poverty. The expenditure required to address these challenges will inevitably always exceed available funding; hence difficult choices have to be made in relation to tariff increases and balancing expenditures against realistically anticipated revenues.

The municipality's revenue strategy is built around the following key components:

- National Treasury's guidelines and macroeconomic policy;
- Growth in the Municipality and continued economic development;
- Efficient revenue management, which aims to ensure a 95 per cent annual collection rate for property rates and other key service charges;
- Achievement of full cost recovery of specific user charges especially in relation to trading services;
- Determining the tariff escalation rate by establishing/calculating the revenue requirement of each service;
- The municipality's Property Rates Policy approved in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA);
- Increase ability to extend new services and recover costs;
- The municipality's Indigent Policy and rendering of free basic services; and
- Tariff policies of the Municipality.

Grants remain the largest revenue source and property rates is the second and third largest source interest on investment and the fourth one is other revenue. Municipality have been urged to review the tariff s of the items on annual basis to ensure they are cost reflective market related.

Tariff-setting is a pivotal and strategic part of the compilation of any budget. When rates, tariffs and other charges were revised, local economic conditions, input costs and the affordability of services were taken into account to ensure the financial sustainability of the Municipality.

It must also be appreciated that the consumer price index, as measured by CPI, is not a good measure of the cost increases of goods and services relevant to municipalities. The basket of goods and services utilised for the calculation of the CPI consist of items such as food, petrol and medical services, whereas the cost drivers of a municipality are informed by items such as the cost of remuneration, bulk purchases of electricity and water, petrol, diesel, chemicals, cement etc. The current challenge facing the Municipality is managing the gap between cost

drivers and tariffs levied, as any shortfall must be made up by either operational efficiency gains or service level reductions. The Municipality will have to implement a refuse removal strategy to ensure that this service can be rendered in a sustainable manner over the medium to long-term.

### **1.8. Expenditure**

The Municipality's expenditure framework for the 2017/18 budget and MTREF is informed by the following:

- Balanced budget constraint (operating expenditure should not exceed operating revenue) unless there are existing uncommitted cash-backed reserves to fund any deficit;
- Funding of the budget over the medium-term as informed by Section 18 and 19 of the MFMA;
- Operational gains and efficiencies will be directed to funding the capital budget and other core services; and
- Strict adherence to the principle of 'no project plan, no budget'. If there is no business plan no funding allocation can be made.

### **1.9. Capital Expenditure**

Dr Nkosazana Dlamini Zuma Municipality has budgeted an amount of R 62 812 300.00 in 2017/18 to fund its capital expenditure in 2017/2018 financial year in order for the municipality to deliver adequate services to its community.

1.3 National Treasury has allocated an amount R 27 566 000.00 to Dr Nkosazana Dlamini Zuma Municipality for Municipal Infrastructure Grant (MIG), and the Municipality will use the above grant to successfully Construct the following projects to its community.

- |                                       |   |                             |
|---------------------------------------|---|-----------------------------|
| • Ridge Access Road                   | - | to be constructed in ward 1 |
| • Upgrading of Underberg Road Phase 1 | - | to be constructed in ward 2 |
| • Sdangeni Access Road                | - | to be constructed in ward 3 |
| • Dwaleni Access Road                 | - | to be constructed in ward 4 |
| • Hlathikhulu Access Road             | - | to be constructed in ward 5 |
| • Nyazi Access Road                   | - | to be constructed in ward 6 |



- Isidandane Access Road - to be constructed in ward 7
- Zekeleni Access Road - to be constructed in ward 8
- Mafohla Access Road - to be constructed in ward 9
- Manyathela Access Road - to be constructed in ward 10
- Chapter Access Road - to be constructed in ward 11
- Nomandlovu Access Road - to be constructed in ward 12
- Sawoti Sports field - to be constructed in ward 13
- Gala Community Hal - to be constructed in ward 14
- KwaPitela Creche - to be constructed in ward 15

1.4 National Treasury has allocated an amount R 14 000 000.00 in 2017/18 to Dr Nkosazana Dlamini Zuma Municipality for Integrated National Electrification Programme (INEP), and the Municipality will use the above mentioned grant to successfully Construct the following Electrification projects to it community

- Glen maize Electrification - to be constructed in ward 14
- Mafohla Electrification - to be constructed in ward 11
- Esikhesheni Electrification - to be constructed in ward 7
- Vitha's Electrification - to be constructed in ward 9
- Mhlangeni Electrification - to be constructed in ward 1
- Gxalingenwa Electrification - to be constructed in ward 1
- Mbulelweni Electrification - to be constructed in ward 2
- Gwejane Electrification - to be constructed in ward 2
- Mqatsheni Electrification - to be constructed in ward 3
- Pitela Electrification - to be constructed in ward 3
- Ukhahlamba Electrification - to be constructed in ward 5
- Zuma's Electrification - to be constructed in ward 2
- Goxhill Electrification - to be constructed in ward 2
- Khalweni Electrification - to be constructed in ward 2

1.5 Plant & Equipment has been allocated an amount of R 7 350 000.00 to fund the following projects in 2017/2018 financial year.

- 3 Tractors
- 2 Tipper truck
- Water tank
- Roller
- Load bed truck

1.6 The Municipality has allocated an amount of R 13 896 300.00 for 2017/2018 financial year to fund the following project to be constructed in it community and also to assist the municipality to successfully deliver the service to it community.

- Centocow Shelter & Toilets
- Fencing of waste transfer station
- Himeville Workshop
- Jabulani Hall
- Parkhomes
- Municipal building electricity
- Bus Shelters

1.7 The following Assets will be procured to assist the Municipality to continue with the good work to deliver the service to the community.

- Vehicles
- Furniture & Office Equipment
- Computers and Software
- Parkhomes
- Cemetery office building and ablution
- Guard Houses
- Carports
- Tools

### **1.10 Repairs and maintenance**

Dr Nkosazana Dlamini Zuma Municipality has budgeted an amount of R 8 260 261.00 for repairs and maintenance which includes the following:

- Vehicles
- Buildings & halls
- Roads and drains
- Plant & equipment
- Railway line maintenance
- Road signs
- Public toilets
- Fencing
- Municipal building electricity

### **1.11 Community Programmes**

Dr Nkosazana Dlamini Zuma Municipality has budgeted an amount of R 8 570 000.00 for programmes to equip and develop its community through the following programmes.

- An amount of R 1 250 000 has been set aside for Arts and Culture programmes to fund the following activities.
  - ✓ Training of Crafters
  - ✓ Training of artist and Adjudicators
  - ✓ Crafters development
  - ✓ Local and ward arts and Culture competition
  - ✓ Umkhosi wezintombi zase Harry Gwala
  - ✓ Umkhosi womhlanga
  - ✓ Umkhosi welembe
  - ✓ Support for Promoted Artist to Playhouse
  - ✓ District Cultural Competition
  - ✓ Promotion of mother tongue language
  - ✓ Arts and culture forum induction
  - ✓ Funding Artists Equipment

✓ Royal Show

- An amount of R 700 000.00 has been set aside for HIV, Senior Citizens, Disability, Human Rights programmes to fund the following activities.

- ✓ World Aids Day
- ✓ World Aids Day
- ✓ Disability day
- ✓ Disability Summit
- ✓ Local Aid Council
- ✓ Monthly HIV Campaign
- ✓ Disability Sector Plan Development
- ✓ Golden Games
- ✓ Senior Citizen Event
- ✓ TB Day
- ✓ HIV Strategic Workshop
- ✓ Local Aid Council
- ✓ Mayoral Cup

- The municipality has set aside an amount of R 900 000.00 for Sports Development programmes to fund the following activities.

- ✓ Training of Coaches
- ✓ Training of Coaches
- ✓ Sports Development Plan
- ✓ Training of administrators
- ✓ Development of teams from selected Players
- ✓ Training of Program designers and analysts
- ✓ Training of Jockeys
- ✓ Sunny stager marathon
- ✓ Salga Games
- ✓ Harry Gwala Summer Cup
- ✓ Schools Salga Athletics
- ✓ Dundee Day

- ✓ Harry Gwala Marathon
  - ✓ Bongmusa Foundation Marathon
  - ✓ Festive Sport programmes
  - ✓ Oss Sport Support
  - ✓ Monitoring & Evaluation of players Sports Academies
  - ✓ Sports Arts and Culture Awards
- The municipality has set aside an amount of R 700 000.00 for Gender Men, women and children programmes to fund the following activities.
    - ✓ Child protection week
    - ✓ Men event
    - ✓ Women Sector events
    - ✓ Establishment Children's Forum
    - ✓ Back to School - Primary SCHL
    - ✓ 16 Days of activism event
    - ✓ Road Safety Awareness
    - ✓ OVC PSWVW
    - ✓ Children Focus Campaign
    - ✓ Human Rights Day
    - ✓ Woman's Forum
    - ✓ Men's Forum
    - ✓ Gender Forum
    - ✓ Training of Gender Forum
    - ✓ Promotion of Reed Dance , rights and Health
    - ✓ Environmental Day
  - Amount of R 320 000.00 has been set aside for Operation Sukuma Sakhe programmes to fund the following activities.
    - ✓ Public Service week (Operation Mbo)
    - ✓ Nelson Mandela Day
    - ✓ Operation Sukuma Sakhe
    - ✓ Back to school campaign

- ✓ Matric Awards
  - ✓ Career Exhibition week
  - ✓ Schools environmental Excellence Awards.
- Amount of R 1 135 000.00 has been budgeted for Youth Development programmes to fund the following activities.
    - ✓ SMME Support
    - ✓ Careers Expo
    - ✓ Take a child to work
    - ✓ Bursary Summit
    - ✓ Youth games
    - ✓ Education summit
    - ✓ Prayer day x 2
    - ✓ Awareness campaign x 2 responding to issues such as pregnancy, (ukuthwalwa) of children in ages of 15 years
    - ✓ Young women Indaba event
    - ✓ Review youth plan
    - ✓ youth Day Celebration
    - ✓ Heritage Activities
    - ✓ Meeting with bursary beneficiaries
  - A budget of R 350 000.00 has been budgeted to fund poverty alleviation programmes.
  - A budget of R 2 025 000.00 has been set aside for Local Economic Development programmes to fund the following activities
    - ✓ Assisted Emerging Farmers with material support
    - ✓ KwaPitela Irrigation Scheme
    - ✓ Training and Skills empowerment
    - ✓ Training and Skills empowerment
    - ✓ Fashion Designer Talent search
    - ✓ Co-Op & SMME Non-Agricultural Material Support

- ✓ Training and Skills empowerment
  - ✓ Step more Business Hub Electrifying Building
  - ✓ Electrifying Underberg Taxi Rank
- Amount of R 890 000.00 is budgeted for Tourism Programmes to fund the following activities.
    - ✓ Local literature & visual art exhibition
    - ✓ Tourism awareness programs
    - ✓ Community Tourism & Hospitality skills development
    - ✓ Local Tourism forum meetings held
    - ✓ External tourism shows and exhibitions
    - ✓ Culture food tasting expo and Duzi to Sani
    - ✓ Community Tourism Development Committee
    - ✓ Rail Tourism
    - ✓ Destination marketing / Promotional Material
    - ✓ Emerging Contractors Workshop
    - ✓ Woman empowerment programmes
    - ✓ Workshop for street traders
  - Libraries programmes has been budgeted an amount of R 80 000.00 to fund the following activities.
    - ✓ Promotional Material
    - ✓ Library Outreach
    - ✓ Computer Lessons

#### **1.12 Employee related cost and remuneration for Councilors**

The budgeted allocation for employee related cost and councilors remuneration for the 2017/18 financial year totals to R 65.5 million. Based on Salary and Wage Collective Agreement for the period 01 July 2015 to 30 June 2018 and the latest Treasury Circular No. 86 released on the 08 March 2017, salary increases was factored in draft budget at a percentage increase of 6.1 per cent for the 2017/18 financial year and to 5.7% and 5.6% in outer years respectively.

The cost associated with the remuneration of councilors is determined by the Minister of Co-operative Governance and Traditional Affairs in accordance with the Remuneration of Public

Office Bearers Act, 1998 (Act 20 of 1998). The most recent proclamation in this regard has been taken into account in compiling the remuneration for councilors for Dr Nkosazana Dlamini Zuma municipality's budget.

### **1.13 General Expenditure**

Other expenditure comprises of various line items relating to the daily operations of the municipality. This group of expenditures has also been identified as an area in which cost savings and efficiencies can be achieved.

### **1.14 Policies and by-laws**

There were no major changes on finance and budget related policies and by-laws. There were also no major changes on other policies. By-laws would have reviewed as the service provider was appointed to assist with the review of by-laws for Dr Nkosazana Dlamini Zuma Municipality.

Ladies and gentlemen, may I take this opportunity to thank you for your attentiveness and your contribution in the on-going development of Dr Nkosazana Dlamini Zuma Municipality.

Thank you

**Councillor P.N Mncwabe**

**Mayor of Dr Nkosazana Dlamini Zuma Municipality**

### **RESOLUTION**

- Dr Nkosazana Dlamini Zuma Municipality has tabled its Draft budget with budget related policies and the council resolution is attached.



## **EXECUTIVE SUMMARY**

### **1.1.1 Introduction**

This 2017/18 – 2019/20 Tabled Medium Term Revenue and Expenditure Framework (MTREF) budget report deals with the operating budget and tariff proposals as well as the capital budget and funding sources proposal to ensure that Do Nkosazana Dlamini Zuma Municipality renders services to their local communities in a financial and sustainable manner.

### **1.1.2 Financial Sustainability**

Financial sustainability over the long-term has to do with the maintenance of high priority expenditure programmes, both operating and capital to ensure programmes sustainability and desire quality of service to be rendered. There must also be rates and service charges stability and predictability in the overall rate burden by ensuring reasonable rates and service charges to fund programmes.

The application of sound financial management principles for the compilation of the municipality's financial plan is essential and critical to ensure that the municipality remains financially viable and that municipal services are provided sustainably, economically and equitable to all communities.

The following budget principles and guidelines directly informed the compilation of the 2016/17 MTREF:

- The 2016/17 Adjustments Budget priorities and targets, as well as the base line allocations contained in that Adjustments Budget were adopted as the upper limits for the new baselines for the 2017/18 draft budget;
- Tariff and property rate increases should be affordable and should generally not exceed inflation as measured by the CPI, except where there are price increases in the inputs of services that are beyond the control of the municipality.
- Actuals for the period ended in February 2017 and

- There will be no budget allocated to national and provincial funded projects unless the necessary grants to the municipality are reflected in the national and provincial budget and have been gazette as required by the annual Division of Revenue Act.

In view of the aforementioned, the following table is a consolidated overview of the proposed 2017/18 Medium-term Revenue and Expenditure Framework:

The following table is a summary of the 2016/17 MTREF (classified by main revenue source):

	<b>Adjustment Budget 2016- 2017</b>	<b>Budget Year 2017-2018</b>	<b>Budget Estimate 2017- 2018</b>	<b>Budget Estimate 2019- 2020</b>
Total Revenue	R 231 094 654	R 211 156 626	R 214 555 311	R 324 619 109
Total Operating Expenditure	-R 137 857 968	-R 148 334 379	-R 156 109 616	-R 165 053 786
Capital Expenditure	-R 93 236 686	-R 62 812 300	-R 38 965 000	-R 50 441 000
Surplus/(Deficit) for the year	R 3 709.62	R 9 947	R 19 480 695	R 19 124 318

Total revenue has decreased by 9% per cent for the 2017/18 financial year when compared to the 2016/17 Adjusted Budget. For the two outer years, total revenue will decrease by 2% respectively. Total operational expenditure has increased by 7% in 2017/18 budget and by 5% and 5% for each of the respective outer years of the MTREF. Total capital expenditure has decrease by 32 % in 2017/18 when compared to the 2016/17 Adjustment budget.

### **1.1.3 Repairs and maintenance**

The municipality has low percentage on repairs and maintenance the budget amount is adequate to secure the ongoing health of the municipality's infrastructure.

#### **1.1.4 Property Rates**

The rates revenue collection is currently expressed as a percentage (65%) of annual billings based on the previous year's actual collections. The performance of arrear collection will however only be considered a source of additional cash in-flow once the performance has been carefully monitored.

Property rates cover the cost of the provision of general service. Determining the effective property rates tariff is therefore an integral part of the municipality's budgeting process.

National Treasury's MFMA Circular No. inter alia with the implementation of the Municipal Property Rates Act, with regulation issued by the department of Co-operative Governance. These came into effect on 1 July 2009 and prescribed the rate ratio for the non-residential categories, public service infrastructure and agricultural properties relative to residential properties to be 0.25:1

The following stipulations in the property rates are highlighted:

- The first R 15 000.00 of the market value of property used for residential purposes is excluded from the ratable values (Section 17 (h) of the MPRA).
- 30% rebate will be granted for developed properties
- 35% rebate will be granted to agriculture
- 100% rebate will be granted to registered indigents in terms of the indigent policy.
- For pensioners, physically and mentally disabled persons, a maximum/ total rebate 75% to owners of ratable properties if the total gross income of the applicant and his/her spouse, if any, does not exceed the amount of equal to twice the annual state pension as approved by government for a financial year.

#### **1.1.5 Provisions**

- **Provision for debt impairment**

The provision of debt impairment was determined based on an annual collection rate for 2016/2017. For 2017/18, financial year this item was allocated an amount of R390 000.00 and

escalates to R 420 230.00 by 2018/19 and R 435 315.00 by 2019/20 financial years. While this expenditure is considered to be a non-cash item, it informed the cost associate with rendering the service of the municipality, as well as the municipality's realistically anticipated revenue.

- **Provision for depreciation and asset impairment**

Provision for depreciation and asset impairment has been informed by the municipality's Assets Management policy. Depreciation is widely considered a proxy for the rate assets consumption. Budget appropriation in this regard totals to R 20 344 225 for 2017/18 financial year escalating to R 21 503 846 by 2018/19 and R 22 708 061 by 2019/20 financial years.

### **ANNUAL BUDGET TABLES**

Dr Nkosazana Dlamini Zuma Municipality has prepared draft budget using the prescribed A1 Schedule as indicated in the MFMA budget circular No.86.

Version 61. and version 2.8 are attached.

## **Part 2– Supporting Documentation**

### **2.3 Overview of the annual budget process**

Section 53 of the MFMA requires the Mayor of the municipality to provide general political guidance in the budget process and the setting of priorities that must guide the preparation of the budget. In addition, Chapter 2 of the Municipal Budget and Reporting Regulations states that the Mayor of the municipality must establish a Budget Steering Committee to provide technical assistance to the Mayor in discharging the responsibilities set out in section 53 of the Act.

The Budget Steering Committee consists of the Municipal Manager and senior officials of the municipality.

The primary aims of the Budget Steering Committee are to ensure:

- that the process followed to compile the budget complies with legislation and good budget practices;
- that there is proper alignment between the policy and service delivery priorities set out in the Municipality's IDP and the budget, taking into account the need to protect the financial sustainability of municipality;
- that the municipality's revenue and tariff setting strategies ensure that the cash resources needed to deliver services are available; and
- That the various spending priorities of the different municipal departments are properly evaluated and prioritised in the allocation of resources.

Community consultation started in October 2016 which informed the Draft Budget. The Draft Budget was discussed with HODs, presented to Management on a Strategic Planning, Budget Steering Committee and to the Budget and Treasury Committee before being tabled to the Council.

### **2.3 Municipal regulation on the Standard Chart of Accounts (mSCOA)**

The Municipal Council adopted the regulation for the Standard Chart of Accounts and have an ongoing consultation with current Finance system provider (SAMRAS) to ensure that the municipality would be able to implement it. SAMRAS is one of the service providers that have pilot sites for mSCOA and based are one of the service providers on the National Treasury list of recommended system vendors, The municipality is in an ongoing process of the MSCOA Budget preparation that is to be approved by council end of May 2017 for the Municipality to be regarded as having an MSCOA compliant budget by 01 July 2017.

### **2.3 Draft Budget Assumptions**

**Given the constraints on the revenue side, the Council took very tough decisions on the expenditure side. Priority was given to:**

- Protecting the poor from the worst impacts of the economic downturn
- Expediting spending on capital projects that are funded by conditional grants.

### **General inflation outlook and its impact on the municipal activities**

There are five key factors that have been taken into consideration in the compilation of the 2016/2017 MTREF:

- National Government macro-economic targets;
- The general inflationary outlook and the impact on Ingwe residents and businesses;
- The impact of municipal cost drivers;
- The increase in the cost of remuneration. Employee related costs MTREF and therefore this increase above inflation places a disproportionate upward pressure on the expenditure budget. The wage agreement SALGBC concluded with the municipal workers unions were taken into account.

### **2.3 Budget Process Overview**

In terms of section 21 of the MFMA the Mayor is required to table in Municipal Council at least ten months before the start of the new financial year a time schedule that sets out the process to revise the IDP and prepare the budget.

### **2.4 IDP and Service Delivery and Budget Implementation Plan**

NDZ IDP is its principal strategic planning instrument, which directly guides and informs its planning, budget, management and development actions. This framework is rolled out into objectives, key performance indicators and targets for implementation which directly inform the Service Delivery and Budget Implementation Plan.

- Registration of community needs; e Process Plan applicable to the fourth revision cycle included the following key IDP processes and deliverables:
- Compilation of departmental business plans including key performance indicators and targets;
- Financial planning and budgeting process;
- Public participation process;
- Compilation of the SDBIP, and
- The review of the performance management and monitoring processes.

Budget Implementation Plan. Business planning links back to priority needs and master planning, and essentially informed the detail operating budget appropriations and three-year capital programmes.

## **2.5 Financial Modeling and Key Planning Drivers**

As part of the compilation of the 2017/2018 MTREF, extensive financial modeling was undertaken to ensure affordability and long-term financial sustainability. The following key factors and planning strategies have informed the compilation of the 2017/18 MTREF:

- Local growth
- Policy priorities and strategic objectives
- Asset maintenance
- Economic climate and trends (i.e. inflation, Eskom increases, household debt, migration patterns)
- Performance trends
- The approved 2016/2017 adjustments budget and performance against the SDBIP
- Cash Flow Management Strategy
- Debtor payment levels
- Loan and investment possibilities
- The need for tariff increases versus the ability of the community to pay for services;
- Improved and sustainable service delivery

In addition to the above, the strategic guidance given in National Treasury's MFMA Circulars 70, 72, 74, and 75 and prior circulars has been taken into consideration in the planning and prioritization process.

## **2.6 Overview of alignment of annual budget with IDP**

The Constitution mandates local government with the responsibility to exercise local developmental and cooperative governance. The eradication of imbalances in South African society can only be realized through a credible integrated developmental planning process.

## **2.7 Measurable performance objectives and indicators**

Performance Management is a system intended to manage and monitor service delivery progress against the identified strategic objectives and priorities. In accordance with legislative requirements and good business practices as informed by the National Framework for Managing Programme Performance Information, the Ingwe has developed and implemented a performance management system of which system is constantly refined as the integrated planning process unfolds. The Municipality targets, monitors, assess and reviews organizational performance which in turn is directly linked to individual employee's performance.

## **2.8 Planning, budgeting and reporting cycle**

The performance of Dr Nkosazana Dlamini Zuma Municipality relates direct to the extent to which it has achieved success in realising its goals and objectives, complied with legislative requirements and meeting stakeholder expectations. The NDZ therefore has adopted one integrated performance management system which encompasses.

- **Performance indicators and benchmarks**

### ***a) Revenue Management***

- As part of the financial sustainability strategy, an aggressive revenue management framework will be implemented to increase cash inflow, not only from current billings but also from debtors that are in arrears in excess of 90 days. The intention of the strategy is to streamline the revenue value chain by ensuring accurate billing, customer service, credit control and debt collection.

### ***b) Creditors Management***



- NDZ has managed to ensure that creditors are settled within the legislated 30 days of invoice. While the liquidity ratio is of concern, by applying daily cash flow management the municipality has managed to ensure a 100 per cent compliance rate to this legislative obligation.

This has had a favorable impact on supplier's perceptions of risk of doing business with the NDZ, which is expected to benefit the local community in the form of more competitive pricing of tenders, as suppliers compete for the NDZ business

**c) Free Basic Services: basic social services package for indigent households**

The social package assists residents that have difficulty paying for services and are registered as indigent households in terms of the Indigent Policy of the Ingwe. Only registered indigents qualify for the free basic services.

**2.9 Overview of budget related-policies**

The NDZ Municipality budgeting process is guided and governed by relevant legislation, frameworks, strategies and related policies.

**2.10 Municipal manager quality certificate**

Municipal Manager's Quality Certificate attached.